

Mongolia Update – Coverage of 1998 Political Changes



Prime Minister Ts. Elbegdorj (left) takes office from former Prime Minister Erkhonkhbayar (right)



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A note about Mongolia Update

The Mongolia Update has proven to be one of the more popular documents produced by the UNDP Mongolia office. Since the autumn of 1997 UNDP has been able to offer two more frequently updated sources of information: the UNDP homepage and our monthly newsletter, the Blue Sky Bulletin (available from our office if you are not already receiving it). Please use the United Nations Homepage at <http://www.un-mongolia.mn> to keep abreast of the latest political, economic and social developments in Mongolia. Mongolia Update is an unofficial document of UNDP and is designed to periodically keep our partners outside of Ulaanbaatar apprised of issues in the country.

1. Background — a year of change

Mongolia's first elected non-communist government, the Democratic Union Coalition, came to office in June 1996 with a strong mandate and a promise of sweeping social and economic change. The coalition of the Mongolian National Democratic Party and the Mongolian Social Democratic Party ran on the basis of a U.S.-style election platform, the Contract with Voters, and gained 50 of the 76 seats in the State Ikh Hural (Parliament).

The new government's action programme was founded on fundamental economic reform, including privatisation of the major industrial enterprises and the state-owned banks, liberalisation of prices and the abolition of import tariffs.

The government achieved some economic success, including increasing foreign-currency reserves to nearly U.S. \$100 million and a flourishing of small-scale private enterprise in the capital city, Ulaanbaatar. Inflation in 1997 was reduced to 17 per cent while growth surpassed three per cent. Unemployment and poverty, however, remained serious issues.

By the autumn of 1997, the Coalition was hoping to embark on large-scale privatisation and accelerated economic reform. But the

government of Prime Minister M. Enkhsaikhan began to face opposition as the high social cost of the economic reforms began to become apparent. The September 1997 launch of the first-ever UNDP/ Government of Mongolia Human Development Report (HDR) highlighted the living status of Mongolians during the difficult transition era.

At the start of the academic year in September 1997, college and university students, led by the Mongolian Students' Union, staged an escalating series of protests that culminated in a one-day student strike. Their demand was a reduction in tuition fees — which had doubled in some cases — and in dormitory rents, also up sharply.

After meeting with student leaders, the government acceded to their demands, instructing university directors to cut fees and slash dorm rents. But with no commitment of extra money from the government, university administrators warned cuts would have to be made in other areas, including supplies and instructors' salaries.

From the opening day of the autumn session of the State Ikh Hural on October 1 1997, the Opposition Mongolian People's Revolutionary Party went on the attack. Opposition leader N. Enkhbayar, elected to

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Parliament in an August by-election, used his maiden speech to demand the resignation of the government. He accused the Coalition of ignoring its election promise to cut taxes by 20 to 30 per cent, of bungling privatisation and of neglecting the social sphere.

The government, he said, “is serving the interests of a few companies — including those of some members of the State Ikh (lural) — while overburdening the nation’s small- and medium-sized industries.”

The MPRP demand was backed by demonstrations organised by the party, trade unions and activist groups like the Mongolian United Movement. But these protests were small and made up largely of pensioners, one of the groups hardest hit by shrinking social spending.

Marshalling its large majority, the government easily survived an October 17 no-confidence vote by a 47-25 margin. The Prime Minister used the occasion to defend his government’s record, noting that inflation had been decreased, the tugrug stabilised, foreign currency reserves increased and a banking crisis halted.

But by the end of the autumn session, rifts began to appear in Coalition forces. The State Budget for 1998 was approved in November. It forecast a deficit, and further spending cuts — notably to law-enforcement agencies — sparked grumbles among some MPs.

In January, the government released its action plan for 1998. It vowed to stabilise the macroeconomy, cut government spending and boost

private ownership in all sectors. The rate of privatisation was to be intensified, with an emphasis on selling off the state-owned banks. Health and education were to be moved toward a “financed by the client” system.

But the year also began with worrying economic signs, as the Asian economic crisis finally began to filter down to Mongolia. The price of copper, Mongolia’s largest foreign-currency earner, fell by nearly a quarter in the first four months of 1998. Prices for cashmere and gold, other major exports, also declined.

At the beginning of 1998, differences within the Coalition intensified. A number of Democrats were dissatisfied with the system under which the Prime Minister and Cabinet were not parliamentarians but “experts” appointed from the outside. On January 15, after several weeks of wrangling, the State Ikh Hural ruled that, under the Mongolian Constitution, MPs could serve as Cabinet Ministers.

A group of Coalition MPs, arguing that greater coordination was needed between Parliament and the government if the Democrats’ election promises were to be fulfilled, began to work for the change of the Erkhshakhan Cabinet.

Parliament resumed April 6 after a two-and-a-half month break during which fissures in the Coalition opened. An earlier attempt in February by leaders of the National Democratic and Social Democratic Parties to merge the Coalition partners had been rejected by party

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members. Likewise, on March 27, the General Council of the Mongolian National Democratic Party had called for the resignation of its own government. The move was led by Ts. Elbegdorj, the 35-year-old Deputy Speaker of the State Ikh Hural and parliamentary caucus leader of the MNDP — a natural Prime Minister in a government of MPs.

The government had not acted in line with the wishes of Parliament and so should resign, he said.

Prime Minister Enkhsaikhan complained that a faction in the party was trying to oust him. He was right.

As the spring parliamentary session began, the intensity of demonstrations calling for the government's resignation, which had gone on sporadically since the fall, increased.

Then Prime Minister Enkhsaikhan on April 17, a day after an extraordinary joint meeting of the ruling councils of the MNDP and MSDP, handed his resignation to President N. Bazabandi. It was approved by the State Ikh Hural on April 22, by a vote of 59-1. Ten MPs boycotted the session, saying the move was unconstitutional.

The resignation provoked mixed reactions amongst Mongolians. Some felt it would speed up the pace of reform. Others saw it as a grab for power by a faction in the Coalition or were worried about the lack of experience of the Cabinet of MPs.

The new Prime Minister, Ts. Elbegdorj, took office April 23, vowing to chart the same economic course as his predecessor, and to

operate a more open and transparent government. Although he replaced a number of senior civil servants, he said he would not make changes to the structure of the nine government Ministries.

He vowed to press forward with a busy spring session, in which a number of bills central to the government's programme — including a new law on foreign investment and a long-awaited media law — were slated to be passed.

But he immediately ran into trouble.

Elbegdorj nominated his nine-member Cabinet April 27, but only five of the nominees received the approval of Parliament, as nominee after nominee was rejected in the State Ikh Hural. The last Minister — Education Minister Ch. Saikhanbileg — was not approved until May 28. He was the fifth nominee put forward for the post.

The local media expressed concern about the average age of 35.8. In place at last, some people began to worry about its lack of experience.

At the beginning of June 1998, the 25 Opposition MPs began a boycott of Parliament in protest over the government-approved merger of the 18-month-old state-owned Sergeen Bosgoltyn (Reconstruction) Bank with the private Golomt Bank. The merger, which the government carried out with the backing of international financial institutions, was necessary, said the Finance Minister, because the Reconstruction Bank

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was insolvent, with 70 per cent of its Tg 11.2 billion (U.S. \$13.7 million) in outstanding loans classed as unreliable.

The Opposition labelled the merger a “conspiracy”, charging the government with driving the bank to its doom by racking up Tg 8.7 million (\$10.5 million) in debts and pointing to links between the Golemt Bank and members of the National Democratic Party.

The result was a Parliament paralysed for all of June, since without the opposition a quorum could not be reached and, thus, Parliament could not meet. Key bills — including the foreign investment

bill slated to be approved before a June 24-26 investors’ conference in Ulaanbaatar — languished.

The crisis deepened when a majority of the all-party task force appointed to investigate the merger ruled that the move was improper.

The President warned that if the impasse were not resolved soon, he would have no choice but to dissolve the State Ikh Hural and call an early election.

“Even if the government resigns or there is a new election, it will not mean that Mongolia will reverse its chosen path,” Prime Minister Elbegdorj told journalists on June 18. “The people have already made their choice.”

2. Who's Who in the Cabinet



Prime Minister Ts. Elbegdorj.

38, is a former journalist and poet-artist poet. He studied journalism in the U.S.S.R. and later worked for *Ulaan* (Red Sun), the Defense Ministry newspaper. One of the founders of the Mongolian Democratic Movement, he was a key player in the 1990 protests. He was first elected to Parliament in 1990, becoming parliamentary leader of the Democratic Coalition.



Finance Minister B. Batbayar.

44, is one of Mongolia's best known political figures, known to one and all as Batba. A founding member of the Mongolian Social Democratic party, he played a key role in the democratic movement of the early 1990s. Trained as a physicist in Mongolia and Poland, he worked as a scientific researcher from 1981 to 1991, was founding head of the Social Democrats from 1991 to 1994 and served as an independent journalist from 1994 until he was elected to Parliament in the 1996 general election.



Foreign Minister R. Amarjargal.

57, trained as an economist at the National Economics Institute in Moscow. He worked for the Mongolian Trade Union Federation and as a university lecturer and rector of the Economics College in Ulaanbaatar. He was elected to Parliament in 1996 for the Mongolian National Democratic Party. He supports Manchester United Football Club.



Minister of Nature and the Environment

S. Bayartogt. 31, studied economics at Moscow University before going into politics. He worked for the Revolutionary Youth Organisation between 1989 and 1990, and sat on the former assembly, the State Baga Hural, from 1990 to 1992. He lectured at the Political Education Academy from 1992 to 1994 and spent the next two years studying in Germany. He was elected to parliament in 1996.

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Justice Minister S. Batkhuyag, 44, studied law at the Mongolian National University and worked as a lecturer at the Police Institute and as a senior criminal servant for the Office of the Hural of People's Deputies and the President's office. He was a member of the State Baga Hural from 1992 to 1994 and in 1994 was head of the MNDP's Ulaanbaatar Council.



Minister of Agriculture and Industry N. Altankhuyag, 40, is another high-profile member of the Mongolian National University. He lectured at the university for a decade from 1981 to 1991, was secretary of the Mongolian Social Democratic Party between 1990 and 1992 and in 1993-1994 was director of the Euro Tiger company.



Health and Social Security Minister Sh. Batbayar, 57, trained as a doctor at the Mongolian Medical University. After military service in 1964-67, he worked as a doctor at Zuunkharaa hospital in Selenge aimag, a lecturer at Darkhan Medical College and chief doctor at Darkhan city hospital. He held that post until he was elected to parliament in 1996 for the Mongolian Social Democratic Party.



Minister of Infrastructure Development S. Lorig, 36, is another high-profile National Democrat MP, a Member of Parliament since 1990. A sociology graduate of Moscow State University, he led the Revolutionary Youth Organization's Ulaanbaatar wing from 1983 to 1986 and was a lecturer at the Mongolian National University between 1986 and 1989, obtaining a Masters degree from the university in 1990. He was a member of the State Baga Hural in 1990-1992 and has been a member of the State Hkh Hural since 1996.

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Defense Minister R. Odonbatar. 29, studied economics and management at the Mongolian National University and in Novosibirsk, Russia. He completed two years of military service between 1984 and 1986. He worked as an accountant and economist for several soviets administrations in his native Khovsgol aimag and was head of the aimag branch of the MNDP from 1992 to 1994. He was elected to the State Khural in a 1994 by-election.



Minister of Enlightenment (Science, Technology, Education and Culture) Ch. Saikhanbileg. 29, is Mongolia's youngest MP. He studied at Moscow's Young Communist University and the Mongolian National University and has served on the executive of the Mongolian Youth Federation since 1991, rising to President—a position he still holds. He was elected to parliament for the MNDP in 1996.

3. What's on the government's plate?

At the start of 1998, the Erdynyakhbayr government indicated that it had fulfilled 38 per cent of its Contract With Voters. But there is still a lot to do. 1998 was supposed to be the year that the government increased the pace of reform. Plans for the year included overhauls of all sectors of society, from education to the army.

Stabilising the macroeconomy is the major goal, with the government setting a target of cutting both borrowing and spending, holding inflation below 20 per cent, keeping the exchange rate stable within five per cent and maintaining U.S. \$8.0 million in foreign-currency reserves. A 5 per cent real growth in the GDP, a budget deficit held to 8.6 per cent of GDP, and a decline in budget revenues of less than 2.1 per cent.

Privatisation is still the major pillar of the government's plan, and the big state enterprises — including the Erdenet copper mine and the state-owned banks — are supposed to go on the block in 1998.

On the industrial front, increased production of gold, minerals and oil is the key.

On the social side, while cutting spending, the government vowed to improve the infrastructure and efficiency of fuel, water and electricity supplies, increase pensions in line with inflation, set a new minimum wage (a move that came into effect January 1) and create more jobs and services for disabled Mongolians and improve both food supply and food safety.

At the time of printing key pieces of legislation including the foreign investment law and the media law, were being held up by a boycott of Parliament by the opposition MPRP. The MPRP has refused to return to Parliament until the decision on the merger of the government bank and the private Gobiorn Bank has been revoked. The situation remains deadlocked and Parliament is unable to meet.